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GENERAL

1. Bevin suggests possible British evacuation from Egypt--
US Embassy London reports that although no formal progress has been made in current Anglo-Egyptian negotiations concerning the presence of British forces in the Suez area, Foreign Secretary Bevin has tentatively and informally suggested, without Cabinet clearance, the possibility of a solution which would involve locating a British striking force outside Egypt (probably in Libya) and an "orderly and progressive turnover of functions" to the Egyptians in the Canal Zone.

EUROPE

2. ITALY: People fatalistic concerning general war--A high official of the Italian Ministry of Interior has told US Ambassador Dunn that there are no overt signs of panic or deep anxiety in Italy over the menace of a general European conflict as a consequence of the recent turn of events in Korea. The Italian official said that the Italian people as a whole are somewhat fatalistic over the possibility of Italy's involvement in a general war and that in any event there is no alternative for them but to count primarily upon US strength in gaining an eventual victory. Concerning signs of Communist attempts to foster military defeatism in Italy, he indicated that the Communists were achieving little success with such efforts within the armed forces. The official also told Dunn that Communist leader Togliatti's health has greatly improved and it is possible, though not certain, he may be able to continue as secretary general of the Party.

Document No. 64

NO CHANGE in Class. ☐☐ DECLASSIFIED

CLASS. CHANGED TO: TS S (C)

E A Date, 4 Apr 77

Auth: A-1111, 77/2723

Date: 23 MAR 1978

DIA review(s) completed.

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STATE review(s) completed.

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3. YUGOSLAVIA: No recent increase in Satellite strength--
According to the US Air Attache in Belgrade, a Yugoslav military liaison officer has declared there is no reason to believe that the Balkan Satellites have received any recent appreciable increase in military assistance from the USSR. The Yugoslav officer said that present Satellite strength would not support the thesis that the Satellites intend military aggression in the near future.
4. GERMANY: Adenauer proposes reply to Grotewohl letter--
Chancellor Adenauer has informed the US High Commission in Germany that he believes it necessary, because of the success of the accompanying Communist propaganda campaign, to take relatively seriously the letter sent him by Grotewohl, head of the Soviet-dominated German Democratic Republic, proposing the election of an all-German constituent council. Adenauer indicated he intends to reply to Grotewohl with an aide-memoire and an oral statement by an emissary; he plans to delay his reply until German opinion has "settled down" somewhat. In response to a question as to what he would do if Grotewohl promised to meet Adenauer's conditions concerning freedom of elections, in return for Adenauer's undertaking not to do anything meanwhile to line up the Federal Republic with the West either by alliance or armaments, Adenauer declared that if it were a question of choosing between immediate unity under Soviet influence or foregoing unity and remaining free "in the Federal area," he would expect the large majority of West Germans to answer that "they would rather be free even though the unity of Germany would not be restored immediately."

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NEAR EAST-AFRICA

5. INDIA: Patel's death a great shock--US Embassy New Delhi reports that the death of Deputy Premier Patel has come as a great shock and there is much speculation as to how this event will affect future Indian policies in both internal and foreign affairs. Some Patel followers reportedly feel that without the steadying influence of Patel's personality India will follow an erratic and unpredictable course, while others express the hope that his death will sober Nehru. The Embassy says it is too early to make predictions but a number of changes throughout the government structure can be expected. Whether Patel's demise will result in a split of the Congress Party is not clear to the Embassy, but danger of such a split exists because Patel adherents may adopt a strong attitude instead of quietly handing their power over to the Nehru minority.

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FAR EAST

6. INDOCHINA: French general maintains Tonkin can be held--French Commanding General Carpentier, who is due shortly to leave Indochina, has declared to US Minister Heath that he is more than ever of the opinion that with the expected early arrival of reinforcements and materiel, French forces will be able at least to hold existing positions in Vietnam, unless Chinese troops join the Viet Minh, in which case it would be "another story." Carpentier added concerning the creation of a Vietnamese national army that the French had reached essential agreement with the Vietnam Government except on one point, on which the French could not give way: Bao Dai's insistence that they at once advance funds to cover the initial expense of building the Vietnamese army.

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